Management Discussion and Analysis - Q3 2011

This management's discussion and analysis ("**MD&A**") should be read in conjunction with the unaudited financial statements for the three and nine months ended September 30, 2011 and September 30, 2010, and the audited annual financial statements for the years ended December 31, 2010 and December 31, 2009 for Alaris Royalty Corp., ("**Alaris**" or the "**Corporation**"). The Corporation's unaudited condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. (See "Transition to International Reporting Standards" under "New Accounting Pronouncements" in this Management's Discussion and analysis). These financial statements do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). Certain dollar amounts in the MD&A have been rounded to the nearest thousands of dollars.

This MD&A contains forward-looking statements that are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to the Corporation's future results since there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. See "Forward Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risk Factors". This MD&A also refers to certain non-IFRS measures, including EBITDA, Normalized EBITDA and Available Working Capital, to assist in assessing the Corporation's financial performance. The terms EBITDA, Normalized EBITDA and Available Working Capital (the "**Non-IFRS Measures**") are financial measures used in this MD&A that are not standard measures under IFRS. The Corporation's method of calculating the Non-IFRS Measures may differ from the methods used by other issuers. Therefore, the Corporation's Non-IFRS measures may not be comparable to similar measures presented by other issuers. See "Results of Operations" for a reconciliation of EBITDA and Normalized EBITDA to net income and "Liquidity" for a reconciliation of Available Working Capital to working capital.

EBITDA refers to net earnings determined in accordance with IFRS, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and many investors to determine the ability of an issuer to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Corporation's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature. Items include the gain on sale of Partner company interests.

Available Working Capital refers to current assets less current liabilities, with an exclusion of certain current liabilities and certain current assets, as more particularly described in "Working Capital" of this MD&A.

The Corporation has provided a reconciliation of net income to EBITDA and Normalized EBITDA and working capital to Available Working Capital in this MD&A. These Non-IFRS measures should only be used in conjunction with the Corporation's annual audited statements, excerpts of which are available below, while complete versions are available on SEDAR at www.sedar.com.

OVERVIEW

The Corporation earns its revenues by providing capital to private businesses (individually, a "**Private Company Partner**" and collectively the "**Partners**"). The Corporation's revenue consists of royalties and preferred distributions ("**Distributions**") received in regular monthly payments that are contractually agreed to between the Corporation and each Private Company Partner. These payments are set for twelve months at a time and adjusted annually based on the audited performance of each Private Company Partner's gross revenue, gross margin, same store sales, or other similar "top-line" performance measure. The Corporation has limited general and administrative expenses with only seven employees.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Revenues for the three months ended September 30, 2011 reflect Distributions from transactions involving each of Alaris' six Partners for that period. In this period, revenues from the Partners totaled $4.84 million compared to $4.16 million in the three months ended September 30, 2010. The increase of 16.3% compared to the prior period is a result of two new Partners added during 2010 and year over year performance metric adjustments from each of the Partners. Revenues from LifeMark Health Limited Partnership ("**LifeMark**") were $1,687,500 compared to $2,938,142 in the same prior year period, a decrease of 42.6%. Alaris sold 50% of its interest in LifeMark on June 9, 2011 which was partially offset by a 6.45% same clinic sales increase that increased distributions from LifeMark effective January 1, 2011. LifeMark's physiotherapy business is not economy dependent as people will continue to get hurt and require rehabilitative services. Going forward, annual distributions of $6,750,000 will increase by 4% each June. Revenues from LMS Reinforcing Steel Group ("**LMS**") were $422,688 in the period compared to $386,514 in the prior year period, an increase of 9.4% due to the year over year performance adjustment based on the change in gross profit for LMS effective Jan 1, 2011. Revenues from End of the Roll Carpet & Vinyl ("**End of the Roll**") were $257,708 in the year compared to $323,057 in the prior year, a decrease of 20.1% as a result of the -13% same store sales adjustment to the annual royalty effective May 1, 2011 along with a "catch-up" of amounts overpaid while waiting for the audited results. Distributions from KMH Limited Partnership ("**KMH**") were $218,487 in the period compared to $218,750 for the prior year. The decrease of 0.1% is due to a same clinic sales adjustment effective May 1, 2011. Distributions from Solowave Design Limited Partnership ("**Solowave**") commenced in December 2010 and were $1,250,000 in the period. Revenues from MEDIchair Ltd. ("**MEDIchair**") were nil in the period compared to $298,610 for the prior year as the MEDIchair royalty was sold on June 9, 2011. See "Private Company Partner Update" for more information on the individual Partners' performance.

Finance costs were $35,374 in the period compared to $307,642 in the prior year period. The 2011 costs related to standby fees incurred as there was no debt outstanding during the entire quarter.

In the three months ending September 30, 2011, the Corporation recorded non-cash stock based compensation expenses totaling $559,932 (2010 – $461,414) that included: $367,871 to amortize the fair value of the Corporation's restricted share unit plan (the "RSU Plan") (2010 – $386,801); $155,011 to recognize the fair value of outstanding stock options (2010 – $39,513); and $37,050 to recognize the fair value of shares issued to management in lieu of dividends under the RSU Plan (2010 - $35,100). The increase is attributable to the issuance of Director RSUs in October 2010 and management options in December 2010 and August 2011.

Salaries and benefits were $225,402 in the quarter compared to $204,787, an increase of 10% due to a small increase in the salary of one employee effective January 1, 2011 and a modest increase in the cost of benefits.

Corporate and office expenses were $124,180 compared to $131,271 in the prior year and include office rent, travel and corporate administrative expenses. The 5.4% decrease in the current period was due mostly to a compensation consultant expense incurred in the prior year period.

Legal and accounting expenses were $120,658 for the three months ended September 30, 2011 compared to $118,446 for the prior year period. The small increase is due to an increase in accounting fees due to the implementation of IFRS and some legal fees relating to a special project regarding structuring new partnerships.

Amortization and depreciation include the amortization of the intangible assets and the depreciation of capital assets. The Corporation amortizes its intangible assets over the term of the licensing agreement and depreciates capital assets over the estimated useful lives. The Corporation recorded depreciation of $3,979 and amortization of $22,734 in the three months ended September 30, 2011. Amortization declined from the prior year period as a result of the sale of the MEDIchair royalty in June 2011. Depreciation was unchanged from the prior year period.

The Corporation does not amortize preferred interests in limited partnerships. Since these transactions are treated as available for sale financial assets under IFRS, a fair value is calculated at each quarter. The Corporation estimated the fair value of the available for sale financial assets by evaluating a number of different methods:

(a) A going concern value was calculated by calculating the discounted cash flow of the future expected distributions. Key assumptions used include the discount rate used in the calculation. For each individual Partner, the Corporation considered a number of different discount rate factors including what industry they operated in, the size of the company, the health of the balance sheet and the ability of the historical earnings to cover the future distributions. This was supported by the historical yield of the original investment, current investing yields, the current yield of Alaris' publicly traded shares and of other similar public companies.
(b) A redemption or retraction value was calculated using the formula specified in each of the Partnership agreements alongside an assessment of the likelihood of a redemption of the Preferred Units.
(c) A liquidation value was calculated using the formula specified in each of the Partnership agreements while considering an estimate of the current value of the private company to determine if there would be sufficient value to cover the liquidation amount.

From this analysis, management of the Corporation determined the fair value of the Preferred LP Units for each individual Partner.

The Corporation recorded net income of $2.7 million and EBITDA of $3.8 million for the three months ended September 30, 2011 compared to net income of $2.1 million and EBITDA of $3.2 million for the three months ended September 30, 2010. The increase in net income and EBITDA can be attributed to new distributions from Solowave and KMH in 2011.

Reconciliation of Net Income to EBITDA (thousands)	3 months ending Sept 30, 2011	3 months ending Sept 30, 2010
Net Income	$2,721	$2,057
Adjustments to Net Income:		
Amortization	27	48
Interest	35	308
Deferred income tax expense	1,053	837
EBITDA	**$3,836**	**$3,250**

For the three months ending September 30, 2011, dividends were declared in each month at $0.085 per common share (voting and non-voting) totalling $4,318,681 for the quarter. For the three months ending September 30, 2010, dividends were declared in each month at $0.08 per common share (voting and non-voting) totalling $3,312,570 for the quarter.

Cash held at September 30, 2011 of $12.3 million was used to partially fund the $22.4 million investment into KMH LP (see Subsequent Event section of this MD&A), satisfy the dividend declared in September 2011 (payable October 15, 2011) and other trade payables. The remainder of the investment into KMH was funded by way of the senior credit facility.

The Corporation has a $30.1 million senior debt facility with a two-member Canadian bank syndicate, which was repaid in full ($26.2 million) on June 10, 2011. If a balance were to be outstanding, interest would be paid monthly at the lenders' prime rate plus three and a half percent per annum (6.5% at September 30, 2011).

The Corporation has recorded a $11.0 million deferred income tax asset on its balance sheet to reflect the accounting value of unused tax pools based on the Corporation's internal projections.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

On June 9, 2011, Alaris reduced its interest in LifeMark and sold all of its intellectual property in MEDIchair (the "**LifeMark Group**") at a substantial gain (the "**LifeMark Transaction**"). Alaris received $55 million for approximately 46% of its interest in LifeMark. The Preferred LP units held were not amortized but instead were fair valued at $120 million at March 31, 2011 resulting in a $23.8 million gain on disposition. Alaris' initial participation in LifeMark's business was in December 2004 and since then has received over $59 million in distributions on the LP Units. The remaining LP units held can be repurchased no earlier than June 9, 2013 at a fixed price of $65.5 million. Alaris also received $10 million for its intellectual property in MEDIchair, an asset that cost $6.5 million in September 2005. The intellectual property was amortized over the 80 year life of the royalty so on disposition, Alaris recorded a $3.9 million gain over and above the $6.3 million in royalties received since September 2005.

Revenues from the Partners for the nine months ended September 30, 2011 totaled $15.7 million compared to $12.3 million in the nine months ended September 30, 2010. The increase of 28.2% compared to the prior period is a result of new Partners added during 2010 and year over year performance metric adjustments from each of the Partners. Revenues from LifeMark Health Limited Partnership ("**LifeMark**") were $7,537,276 compared to $8,375,449 in the same prior year period, a decrease of 10.0%. Alaris sold 50% of its interest in LifeMark on June 9, 2011 which was partially offset by a 6.45% same clinic sales increase that increased distributions from LifeMark effective January 1, 2011. Distributions from Solowave Design Limited Partnership ("**Solowave**") commenced in December 2010 and were $3,750,000 in the period. Revenues from LMS Reinforcing Steel Group ("**LMS**") were $1,256,261 in the period compared to $1,612,328 in the prior year period, a decrease of 22.1% due to the the timing of the year over year performance adjustment based on the change in gross profit for LMS. The decline was a direct result of the significant economic challenges across North America which resulted in reduced production volumes from cancelled projects and reduced margins. As noted in the section above, Q3 2011 was 10% above Q3 2010 as a result of the reset on April 1, 2011. Revenues from End of the Roll Carpet & Vinyl ("**End of the Roll**") were $970,302 in the year compared to $1,032,528 in the prior year, a decrease of 6.0% as a result of the same store sales adjustment to the annual royalty effective May 1, 2011. Distributions from KMH Limited Partnership ("**KMH**") commenced in April 2010 and were $662,480 in the period compared to $345,139 in the prior year period. Same clinic sales results for KMH reset the distributions on May 1, 2011 and were flat. Revenues from MEDIchair Ltd. ("**MEDIchair**") were $530,968 in the period compared to $888,116 for the prior year due, a decrease of 40.2% due to the sale of the MEDIchair royalty on June 9, 2011. See "Private Company Partner Update" for more information on the individual Partners' performance.

Finance costs of $878,767 in the period included $99,850 of credit facility renewal fees, $35,374 of standby fees and $743,543 of interest expenses compared to $1,176,634 of interest expenses in the prior year period. Finance expenses were down 25.3% because the Corporation repaying the remaining subordinated debt in December 2010, and the remaining senior debt in June 2011.

In the nine months ending September 30, 2011, the Corporation recorded non-cash stock based compensation expenses totaling $1,591,350 (2010 – $1,367,343) that included amortizing the fair value of the Corporation's restricted share unit plan (the "RSU Plan"); amortizing the fair value of outstanding stock options and recognizing the fair value of shares issued to management in lieu of dividends under the RSU Plan. The increase is attributable to the issuance of options in December 2010 and August 2011 and Director RSUs in October 2010.

Salaries and benefits were $1,661,409 in the period compared to $628,612 in the prior year period. In recognition of the Corporation's continuing success, and as a result of the significant gains realized on the LifeMark and MEDIchair transactions, the Corporation paid a $1 million management performance bonus at June 30, 2011 compared to no bonus in June 2010. Regular salaries and benefits were up 5.2% compared the prior year period due to a small increase in the salary of one employee effective January 1, 2011 and a modest increase in the cost of benefits.

Corporate and office expenses were $592,331 compared to $467,226 in the prior year and include office rent, travel and corporate administrative expenses. The 26.8% increase was due mostly to a conference held in March 2011 bringing together current and prospective Partners along with the Corporation's Board of Directors. Additionally, TSX fees and other regulatory administrative expenses increased along with the market capitalization of the Corporation compared to the prior year period.

Legal and accounting expenses were $377,676 for the nine months ended September 30, 2011 compared to $321,217 for the prior year period. The 17.6% increase is due to an increase in accounting fees due to the implementation of IFRS and some legal fees relating to a special project regarding structuring new partnerships.

The Corporation recorded depreciation of $11,740 and amortization of $104,603 in the nine months ended September 30, 2011. Amortization declined from the prior year period as a result of the sale of the MEDIchair royalty in June 2011. Depreciation was unchanged from the prior year period.

The Corporation recorded net income of $28.3 million, EBITDA of $39.2 million and Normalized EBITDA of $11.5 million for the nine months ended September 30, 2011 compared to net income of $5.8 million, EBITDA and Normalized EBITDA of $9.5 million for the nine months ended September 30, 2010. The increase in net income and EBITDA can be attributed to the significant gains realized on the LifeMark Transaction as well as new distributions from Solowave and KMH in 2011. The gains on the LifeMark Transaction have been backed out to show a Normalized EBITDA.

Reconciliation of Net Income to EBITDA (thousands)	9 months ending Sept 30, 2011	9 months ending Sept 30, 2010
Net Income	$28,344	$5,776
Adjustments to Net Income:		
Amortization	116	142
Interest	879	1,177
Deferred income tax expense	9,897	2,376
EBITDA	**$39,236**	**$9,471**
Normalizing Adjustments		
Gain on sale of intangible assets	3,892	-
Gain on reduction of LifeMark interest	23,816	-
Normalized EBITDA	**$11,528**	**$9,471**

For the nine months ending September 30, 2011, dividends were declared in each month at $0.085 per common share (voting and non-voting) totalling $12,940,016 for the period. For the nine months ending September 30, 2010, dividends were declared for January and February at $0.07 per common share and for March through September it was increased to $0.08 per common share (voting and non-voting) totalling $9,007,661 for the period.

PRIVATE COMPANY PARTNER UPDATE

The Corporation's interest in each of the Partners consist of a preferred partnership interest or ownership of intellectual property with a return based on a formula linked to a top-line metric (sales or gross profit) rather than a residual equity interest in the net earnings of such entities. The Corporation's role with each of the Partners is passive in all cases. The Corporation has no involvement in the day to day business of each Private Company Partner and has no rights to participate in management decisions. The Corporation does not have any significant influence over any of the Partners nor does it have the ability to exercise control over such Partners. Instead, the Corporation has certain restrictive covenants in place designed to protect the ongoing payment of the annual royalties and distributions payable to Alaris. In addition, the Partners are required to obtain the consent of Alaris in certain circumstances prior to entering into a material transaction. Such transactions generally include acquisitions & divestitures, major capital expenditures and incurring additional indebtedness.

LifeMark –Physiotherapy and rehabilitation services have not historically seen any significant year over year swings as people will continue to get injured and require the services that LifeMark provides. However, based on the terms of the amended Partnership agreement dated June 9, 2011, the LifeMark distribution will increase by 4% each period ending June 30. The distributions are now supported by LifeMark's parent company, Centric Health Corporation, a Canadian public company, who will report to Alaris quarterly going forward. For the six months ended June 30, 2011, Centric's revenues are 20% and EBITDA is 15% ahead of the prior year period results. The June numbers include only 21 days of the LifeMark acquisition management expects the increase to improve in each of the next two quarters.

LMS – Volumes have increased significantly during the first eleven months of its September 2011 fiscal year and are expected to continue to improve based on work on hand and recent project bidding activity. Based on unaudited internal financial statements provided by LMS' management, for the eleven months ended August 31, 2011, total volumes are over 75% ahead of the prior year and total gross profit dollars are approximately 15% ahead of the prior year. Total gross profit is the top-line performance metric on which the annual distributions to the Corporation are reset. A portion of the annual distributions from LMS were reset on January 1, 2011 and the remainder on April 1, 2011 based on the September 2010 results. LMS management expects continued improvement into its 2012 fiscal year.

End of the Roll – End of the Roll completed its sixth fiscal year as an Alaris partner on April 30, 2011. Same store sales results are the top-line performance metric on which the annual payments to the Corporation are reset. Same store sales for End of the Roll decreased 13% for the year ended April 30, 2011 as the impact of the removal of the renovation tax credit by the Canadian government had more impact on their business than originally thought. Based on unaudited financial statements for the four months ended August 31, 2011, revenues and EBITDA are marginally ahead of prior year results.

KMH - On April 27, 2010, the Corporation announced the purchase of preferred partnership units in KMH Limited Partnership for an aggregate acquisition cost of $5 million. KMH is a private healthcare company operating eight diagnostic clinics (nuclear medicine, cardiology and MRI) in Ontario. Distributions on the KMH preferred units were set at $875,000 for the first twelve months. Based on unaudited internal financial statements provided by KMH's management for the nine months ended August 31, 2011, total revenues are modestly ahead of prior year results and EBITDA is modestly behind prior year results due to rising input costs in the business but the distributions to Alaris remain less than half of KMH's EBITDA. Same clinic sales is the top-line performance metric on which the annual distributions to the Corporation are reset and were flat leaving the second year of distributions at the same level. To have achieved flat same clinic sales in what was an extremely challenging year for the well-documented shortage of nuclear isotopes in Canada was viewed as an excellent performance indicator by the Corporation's management.

Solowave - On December 17, 2010, the Corporation announced the purchase of preferred partnership units in Solowave Design Limited Partnership for an aggregate acquisition cost of $32.5 million. Solowave is a Canadian-based privately held designer and manufacturer of residential, ready-to-assemble wooden play centers. Solowave sells its products under the brands "Big Backyard" and "Cedar Summit Play Systems". Solowave's year end is October 31st and based on unaudited internal financial statements for the ten months ended August 31, 2011, revenues are 1% ahead and EBITDA is 1% behind prior year results. Annual growth in Solowave's distributions to Alaris is capped at 6%. There is also a maximum decline in the annual distributions of 6%.

Killick - On July 5, 2011, the Corporation announced the purchase of preferred partnership units in Killick Aerospace Limited Partnership for an aggregate acquisition cost of $27.25 million. Killick is a Canadian-owned, privately held company operating in the United States in the aircraft engine maintenance, repair and overhaul business. Killick's year end is December 31st and based on unaudited internal financial statements for the eight months ended August 31, 2011, revenues are behind last year's numbers by 18% due to a significant one-time transaction that was completed at a very low margin so much that EBITDA is flat compared to the prior year. Annual growth in Killick's distributions to Alaris is capped at 4%. There is also a maximum decline in the annual distributions of 4%.

SUBSEQUENT EVENT

On October 11, 2011, the Corporation invested $22.4 million into KMH by way of automatically convertible promissory notes (interest at 6.5% per annum) to help finance two acquisitions KMH was completing. The notes automatically convert into KMH Units on December 30, 2011 and the first year distributions on these new units will be $3.3 million. The Corporation also provided a $3.2 million demand note (interest at 8.5% per annum) to temporarily bridge mortgage financing on one of the acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has a $30.1 million senior credit facility provided by two Canadian chartered banks. The facility is a 364-day revolving loan that is due December 30, 2011. At September 30, 2011, the loan balance is nil. The facility carries a three-year term out option in the event the loan is not renewed. At September 30, 2011, the Corporation comfortably met all of its covenants as required by the senior credit facility. Those covenants include a maximum debt to EBITDA of 1.7:1 (Nil at September 30, 2011); minimum tangible net worth of $152.4 million ($197.4 million at September 30, 2011); and a minimum fixed charge coverage ratio of 1:1 (2.5:1 at September 30, 2011). Subsequent to September 30, 2011, the Corporation borrowed $14.5 million under its credit facility to fund a portion of the investment into KMH (see Subsequent Event section of this MD&A).

The Corporation had 16.943 million voting common shares and 43,800 warrants outstanding at September 30, 2011. The Corporation had working capital of approximately $10.3 million at September 30, 2011. In the nine months ended September 30, 2011, warrantholders exercised 507,800 warrants, at $7.50, generating over $3.8 million in cash proceeds.

WORKING CAPITAL

The Company's working capital (defined as current assets less current liabilities) at September 30, 2011 is set forth in the tables below. The Company defines "Available Working Capital" as current assets less current liabilities, with an exclusion of certain current liabilities and certain current assets (the "**Excluded Items**") from such calculation. The Excluded Items include the Company's senior credit facility, which was excluded from current liabilities on the basis that such facility only becomes current if the lending syndicate elects not to renew the facility. The tables below reconcile the differences in the calculation of working capital to Available Working Capital (only applicable to prior periods since the debt is at nil at September 30, 2011).

September 30, 2011	Working Capital	Available Working Capital
Cash	12,298,443	12,298,443
Accounts receivable	577,431	577,431
Prepaid expenses	57,008	57,008
Total Current Assets	**$12,932,882**	**$12,932,882**
Accounts payable & accrued liabilities	1,166,595	1,166,595
Dividends payable	1,440,202	1,440,202
Bank indebtedness	-	Excluded
Total Current Liabilities	**$2,606,797**	**$2,606,797**
Net Amount at September 30, 2011	**$10,326,085**	**$10,326,085**
Net Amount at March 31, 2011	**($1,408,641)**	**$774,692**
Net Amount at December 31, 2010	$30,312	$30,312

Working capital increased by $10.3 million compared to December 31, 2010 due to proceeds from the LifeMark transaction net of the repayment of $26.2 million in outstanding senior debt in June 2011 and the $27.25 million investment in Killick. Available Working Capital is the same as working capital at September 30, 2011 since there is no senior debt outstanding.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Corporation has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Preferred LP units	Available for sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Subordinated debt	Other liabilities	Amortized cost

The Corporation will assess at each reporting period whether there is a financial asset, other than those classified as held for trading, that is impaired. An impairment loss, other than temporary, is included in net earnings.

The Corporation has no embedded derivatives. The Corporation records all transaction costs incurred, in relation to the acquisition of investments classified as "available for sale", as an additional cost of the investment. The

Corporation applies trade-date accounting for the recognition of a purchase or sale of cash equivalents and derivative contracts.

The Corporation has the following financial instruments that mature as follows:

	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	1,166,595	1,166,595	0	0	0
Dividends payable	1,440,202	1,440,202	0	0	0
Total	**2,606,797**	**2,606,797**	**0**	**0**	**0**

The Corporation has sufficient cash on hand to settle all current accounts payable, accrued liabilities, dividends payable and senior debt.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There are no changes in internal controls over financial reporting. A complete discussion of the internal controls over financial reporting can be found under the MD&A that accompany the audited financial statements for the years ended December 31, 2010 and December 31, 2009.

SUMMARY OF CONTRACTUAL OBLIGATIONS

Other than the senior credit facility described under "Liquidity and Capital Resources", which currently has a nil balance, the only material contractual obligation of the Corporation is its lease for office space. The Corporation agreed to a seven-year lease at a new location that commenced in the fourth quarter of 2009. Annual leasing costs will be approximately $160,000.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Office lease	851,221	39,815	492,559	318,845	0
Total Contractual Obligations	851,221	39,815	492,559	318,845	0

TRANSACTIONS WITH RELATED PARTIES

There were no related party transactions during the nine months ended September 30, 2011. In 2010, the Corporation repaid in full a $6.5 million subordinated debt facility to a company controlled by Mr. Clay Riddell, its largest current shareholder. The annual interest rate was fixed at 13%. All transactions with related parties are recorded at exchange amount and measured at fair value.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates when preparing the financial statements. Significant estimates include the amount of liabilities for services provided but not yet invoiced, stock-based compensation expenses, future income tax amounts, valuation of intangible assets and preferred limited partnership units and valuation of outstanding warrants.

The Corporation capitalizes legal and accounting costs relating to a specific transaction once a letter of intent has been signed. The Corporation's transactions structured as limited partnerships are not amortized and will be assessed for objective evidence of impairment at each balance sheet date. The Corporation's intangible assets are being amortized over the 80-year term of the agreements on a straight-line basis.

RECENT ACCOUNTING PRONOUNCEMENTS

Transition to International Financial Reporting Standards
The Corporation has adopted International Financial Reporting Standards ("IFRS") for its 2011 fiscal year as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The Corporation provided information on its transition to IFRS in its 2010 Annual Management's Discussion and Analysis. The assessments and impacts discussion in the 2010 Annual Management's Discussion and Analysis remains largely unchanged.

The Corporation has completed its assessment of fair value for the Preferred LP units. Upon implementation of IFRS, the Corporation recognized an increase in the value of LifeMark Health and a decrease in the value of LMS while Solowave and KMH are unchanged. The impact of these two adjustments resulted in a net increase to the value of Preferred LP units of $11.2 million effective January 1, 2010, a net increase to the value of Preferred LP units of $14.4 million at December 31, 2010 and a net increase to the value of the referred LP units of $3.1 million at June 30, 2010. Under IFRS in 2011, the Corporation recognized a net increase to the value of Preferred LP units of $1.9 million at June 30, 2011.

The Corporation has completed its assessment of how to account for the deferred credit on the balance sheet at January 1, 2010. Upon implementation of IFRS, the entire amount was reclassified to retained earnings at January 1, 2010. Additionally, all deferred income tax asset and liability accounts were combined into one net deferred income tax asset at each of January 1, 2010, December 31, 2010 and September 30, 2011.

The Corporation has completed its assessment of stock-based compensation expenses. Upon implementation of IFRS, the Corporation recognized an increase to stock-based compensation expenses recorded to date at January 1, 2010 of $398 thousand, $37 thousand for the nine months ended September 30, 2010 and a decrease to stock-based compensation expenses of $55 thousand for the year ended December 31, 2010. Also upon implementation of IFRS, the Corporation reduced stock-based compensation and increased dividends paid in each period (September 30, 2010 - $165 thousand, December 31, 2010 - $226 thousand) for all payments in lieu of dividends under the RSU Plan. Under IFRS for the nine months ended September 30, 2011, payments in lieu of dividends under the RSU Plan were $183 thousand.

The Corporation has provided a detailed explanation of the impacts of this transition in Note 14 of the Corporation's second quarter 2011 unaudited interim period financial statements ("Note 14"). Note 14 includes reconciliations of the Corporation's balance sheet and shareholder's equity from Canadian GAAP to IFRS at September 30, 2010 and its net income and comprehensive income for the three and nine months ended September 30, 2010. Explanations of the individual impacts of adopting IFRS identified in the reconciliations are also provided, as are the Corporation's elections under IFRS 1 "First-time Adoption of International Financial Reporting Standards".

SUMMARY OF QUARTERLY RESULTS

Amounts are in thousands except for income (loss) per unit/share:

	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09
Revenue	4,842	32,957	5,635	4,403	4,165	3,897	4,194	4,792
Income from operations	2,721	22,710	2,925	2,100	2,057	1,820	1,899	8,629
Basic and Diluted Income (loss) per Share/Unit	$0.16 $0.16	$1.34 $1.30	$0.17 $0.17	$0.15 $0.14	$0.15 $0.14	$0.14 $0.14	$0.16 $0.16	$0.79 $0.69

The periods from Q1-2010 onward reflect IFRS while 2009 results were prepared under Canadian GAAP and as a result may not be comparable. Q2-2011 includes the significant gains from the LifeMark Transaction. The net income for the three months ended December 31, 2009 was increased by a $6 million recovery of future income taxes as a result of the extension of expiry dates on investment tax credits. There were also additional non-cash stock based compensation expenses in the quarter to offset a recovery of those same non-cash expenses recorded in the third quarter of 2009. Before those two adjustments, basic and fully-diluted income per share in the third quarter of 2009 was $0.31 and $0.29, respectively, and in the fourth quarter, $0.27 and $0.24, respectively.

OUTSTANDING SHARES

At September 30, 2011, the Corporation had 16,943,547 voting common shares issued and outstanding.

To satisfy the dividend requirement under the RSU Plan, in the three months ended September 30, 2011, the Corporation issued 2,326 voting common shares respectively from treasury. At September 30, 2011, the Corporation had 43,800 warrants outstanding with an exercise price of $7.50. These warrants are exercisable at any time up to twenty-four (24) months from the date of their issue, subject to a mandatory exercise if, any time after twelve (12) months from their issue, if the volume weighted average price of the voting common shares on the Toronto Stock Exchange is above $9.00 per common share for twenty (20) consecutive trading days. During the three months ended September 30, 2011, 23,400 of the warrants were exercised for proceeds of $175,500.

On August 5, 2011, the Corporation issued 130,000 options to management with an exercise price of $15.48. At September 30, 2011, 384,400 restricted share units and 738,900 stock options were outstanding under the Corporation's long-term incentive compensation plans.

Subsequent to September 30, 2011, 24,050 of the outstanding warrants were exercised at $7.50 generating $180,375 in proceeds. There are 19,750 warrants that were never exercised and expired on October 24, 2011. The Corporation also issued 783 shares to satisfy the dividend requirement under the RSU Plan for October. At November 2, 2011, the Corporation had 16,968,380 Common Shares outstanding.

OUTLOOK

After the Transaction described under "Subsequent Event" in this Management's Discussion and Analysis, Alaris' agreements with the Partners provide for payments estimated to provide the Corporation approximately $21.0 million of Partner company revenues for 2011. Scheduled Partner revenues for the three months ended December 31, 2011 are $5.2 million. The Corporation has no debt at September 30, 2011. After borrowing $14.5 million subsequent to September 30, 2011, the Corporation still has over $15 million remaining on its $30 million credit facility to enter into new accretive transactions with. General and administrative expenses are currently estimated at $3.5 million annually and include all public company costs. Cash requirements after net income are expected to be minimal, as current capital expenditures consist of office furniture and computer equipment.

The Corporation plans to continue to seek out and enter into transactions accretive to the Corporation's earnings per share in the current Private Company Partners and other private businesses.

Certain information contained herein may be considered to be future oriented financial information or financial outlook under applicable securities laws, the purpose of providing such information in this MD&A is to demonstrate the visibility the Corporation has with respect to its revenue streams, subject to the risks identified for the business, and readers are cautioned that the information may not be appropriate for other purposes. See also “Forward Looking Information” below.

RISKS AND UNCERTAINTY

A complete discussion of the risks faced by the Corporation can be found under the MD&A that accompany the audited financial statements for the years ended December 31, 2010 and December 31, 2009.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward looking statements. Statements other than statements of historical fact contained in this MD&A may be forward looking statements, including, without limitation, management’s expectations, intentions and beliefs concerning the growth, results of operations, performance and business prospects and opportunities of the Corporation and the Partners, the general economy, the amount and timing of the declaration and payment of dividends by the Corporation, the future financial position or results of the Corporation, business strategy, proposed acquisitions, growth opportunities, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or the Partners. In particular, this MD&A contains forward looking statements regarding the revenues anticipated to be received from the Partners and the Corporation's general and administrative expenses as well as the expected future performance of the Partners. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward looking information contained in this MD&A. Statements containing forward looking information reflect management’s current beliefs and assumptions based on information in its possession on the date of this MD&A. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. The forward looking information contained herein are based on certain assumptions, including assumptions regarding the performance of the Canadian and U.S. economies in 2010 and how that will affect our business and our ability to identify and close new opportunities with new Private Company Partners; the continuing ability of the Private Company Partners to pay the distributions; and the performance of the Private Company Partners. Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward looking statements contained herein include risks relating to: the dependence of the Corporation on the Partners; risks relating to the Partners and their businesses; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefits of transactions; limited diversification of Alaris’ transactions; management of future growth; availability of future financing; competition; government regulation; leverage and restrictive covenants under credit facilities; the ability of the Partners to terminate the various agreements with Alaris unpredictability and potential volatility of the trading price of the common shares; fluctuations in the amount of cash dividends; restrictions on the potential growth of the Corporation as a consequence of the payment by Alaris of substantially all of its operating cash flow; income tax related risks; future sales of common shares by significant shareholders; ability to recover from the Partners for defaults under the various agreements with Alaris; potential conflicts of interest; dilution; and liquidity of Common Shares. The information contained in this MD&A, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of the Corporation. Without limitation of the foregoing assumptions and risk factors, the forward looking statements in this MD&A regarding the revenues anticipated to be received from the Partners and the Corporation's general and administrative expenses are based on a number of assumptions including no adverse developments in the business and affairs of the Partners that would impair their ability to fulfill their payment obligations to the Corporation and no material changes to the business of the Corporation or current economic conditions that would result in an increase in general and administrative expenses.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements included in this MD&A are made as of the date of this MD&A and Alaris does not undertake or assume any obligation to update or revise such statements to reflect new events or circumstances except as expressly required by applicable securities legislation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form, are available on SEDAR at www.sedar.com or on the Corporation's website at www.alarisroyalty.com .